



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 15, 1999

S. 711

A bill to allow for the investment of joint federal and state funds from the civil settlement of damages from the Exxon Valdez oil spill

*As ordered reported by the Senate Committee on Energy and Natural Resources
on June 30, 1999*

CBO estimates that enacting S. 711 would have no net impact on the federal budget. The bill could increase both direct spending and offsetting receipts (a credit against direct spending); therefore, pay-as-you-go procedures would apply. We estimate, however, that any changes would offset each other—mostly within the same year. S. 711 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments. The state of Alaska and local governments in the state could benefit should some of the additional interest earned as a result of this bill be allocated to state agencies.

S. 711 would increase the amounts available to the federal government and the state of Alaska for the purposes of assessing damage to natural resources by the Exxon Valdez oil spill of 1989 and conducting restoration efforts. Specifically, the bill would allow the Exxon Valdez Oil Spill Trustee Council, with the approval of the U.S. District Court (Alaska), to choose where to deposit the amounts paid by the Exxon Corporation each year under the consent decree issued as a result of that spill. Under existing law, Exxon makes annual payments (currently \$70 million) into the federal government's Court Registry Investment System (CRIS). The trustees allocate those sums to federal agencies, through the Natural Resources Damage Assessment and Restoration Fund (NRDA), and to the state of Alaska. S. 711 would allow the trustees to instead deposit the Exxon payments directly into the NRDA fund or some account outside the U.S. Treasury.

Depositing payments from Exxon without going through the CRIS would enable the trustees to reduce the fund's management fees by up to \$200,000 annually. Moreover, depositing all such amounts into an outside account (most likely Alaska's investment system) would have the additional benefit of increasing interest earnings by an average of about \$3 million a year. Because there is no way to determine whether the federal government would receive any of the additional interest revenue earned by the joint trust funds, CBO cannot estimate

the additional offsetting receipts and direct spending that might occur if S. 711 is enacted. If additional funds are allocated to the government as a result of the legislation, the additional receipts would be offset by an equal increase in direct spending—mostly in the same year that any new receipts occur.

For purposes of this estimate, CBO assumes that interest rates paid by U.S. securities and by the Alaska investment systems will remain at or near current rates. (The Alaska system would pay the trust fund about twice what CRIS does.) This estimate is based on information provided by the U.S. Fish and Wildlife Service and the Exxon Valdez Oil Spill Trustee Council.

The CBO staff contact is Deborah Reis. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.